

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – OCTOBER 31, 2002

PRESENT: Chairman John Byrne and Commissioner Anthony Maiola; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; George Tsiopras, Chief Accountant; Al Picconi, United Beverages, Inc.

EXCUSED: Commissioner Patricia Russell; Nicole Horton, Wine Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending October 27, 2000 shows retail sales were up 5.9%, on-premise sales were up almost 3.5%, off-premise sales were up 20.5%, and total aggregate sales increased by a little over 8%. The traffic count was down by 1,468, while the average sales ticket was up \$1.76.

The W-I Total Weekly Sales report for the same week confirms total sales were up over 8% or \$486,148 for the week, and were also up for the year by 5.8% or \$6,462,700. Wine sales increased on a weekly comparison by 12.5% or \$339,557, and also did by 10.7% or \$5,078,868 for the year. Sales of spirits increased about 4.5% or \$146,591 on a weekly basis, and were also up year-to-date by 2.15% or \$1,388,469.

B. Budget Reports

All payments are up to date as shown on the current Outstanding Depletions and Post-offs report.

A meeting was held with the bureau chiefs to review store deposits procedures. George and Craig met with representatives from Citizens Bank regarding methods to improve these procedures. They recommended using a particular software program, as well as deposit packets. George and Craig will work with Peter Engel on this issue.

There will be a furniture move upstairs on November 21 and 22 which will effect Mindy and Korene's area of Marketing, Charline and Veronica's area, Payroll and the computer room. There will be no effect on the downstairs' offices.

The selection of the vendor for the credit and debit card program is almost ready. As soon as there is a contract, it is hoped the program can start right

away. Difference in prices are only ½ penny per transaction among the three companies who made presentations. A presentation and report will be made to the Commission per the Chairman's request before the Committee makes it's final decision. Chairman Byrne asked what the exposure is to the Commission of licensees who pay by credit card and suggested the hospitality and grocers associations be surveyed as to who will actually use it.

Craig recognized Patti Levan for her efforts in identifying a problem concerning missing inventory. He also proposed that the time annual inventory is taken be changed from the end of April to the last full week in March. Law Warehouse is in favor of this change because many of their personnel are out the last week in April due to school vacations. He has checked with John Bunnell and the auditors who have no objections. Chairman Byrne asked John to check with brokers and vendors to determine if they would have any issues regarding such change.

According to the current W-6 Expense Budget Activity Report, Commission targeted expenses should be at 33.15%, with actual agency expenditures at about 33.4%. Overage problems may occur in the Benefits and Worker's Compensation accounts. Account 50 monies are well controlled at this time.

The State is considering recommending a new financial accounting package to be implemented over the next couple of years, dependent upon receiving \$25 million in the new budget. Representatives will be going to every agency to determine how their transactions are processed.

The Statistical Appendix portion of the Annual Report is a day or so away from going to the printers. We should also know what cover color O'Neill, Griffin Bodi will be using by then. Meetings are continuing with Administrative Services about this project.

2. IT Report

Point-of-sale materials were distributed this past week for comment. This project is still about three to four weeks away from being finalized.

The conversion process is still moving forward, with small things to be fixed daily. Printing problems are still the number one issue, but significant progress has been made in this area.

Howard attended an NABCA conference week last week, at which it was announced that global trade identification numbers would become effective in 2005. Larger UPC numbers will be used on bottles which present scanners may be unable to understand. Scanner replacements can be ready for this, as long as the budget allows.

II. MARKETING & SALES REPORTS

1. Store Operations

A. Extension of Hours/Security Details for Holiday Season:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the following: 1) Extended hours for the day before Thanksgiving, November 27, 2002, including five (5) additional stores for 7:00 p.m. closing on New Year's Eve; December 31, 2002; 2) 2002 requested holiday security details; and 3) extended store business hours for 2002, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Reviewing the latest W-8 Sales Analysis by Location report, total stores sales for the week ending 10/27/02 versus the same week last year were up \$292,891.78 or 6.24%. Peter noted that sales for Store #15 Keene were 25%, probably due to the annual Pumpkin Festival. There has been a shift in licensee purchases from Store #72 to Store #1, most likely because of construction going on at this time at the #72 location. Store #29 Whitefield increased sales by over 86% because of the opening of the Grand Hotel.

The Commission has signed the lease for the new location of Store #55 Bedford. Progress is now contingent on approval from the Bedford planning board and the Attorney General's office. In the meantime, the landlord is having the architect work on a traffic study. Hopefully, there will be a meeting next Monday with the planning board regarding this.

2. Warehouse Report

John reported that product is flowing into the Concord Warehouse rapidly for the holidays. There are no significant issues at this time. John is working with Howard and his staff and Brian Law relative to having all products shipped out of Law for on-premise licensees. This change was announced at the recent trade show in Manchester, and will also appear in the next Commission newsletter.

3. Purchasing Report

The current purchasing report shows everything is in fairly good shape at this time.

4. Merchandising Report

A. SPIRITS:

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1) Columbus Day Sale (October 3-14, 2002):

Rick reported that this year's Columbus Day Sale exceeded last year's sales by 1,200 cases, and was fairly successful.

2) Test Market:

a. Test Market Request (Oro di Mazzetti Grappa Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Laird & Co. for a new test market listing for Oro di Mazzetti Grappa Liqueur, 750ML size (assigned four-digit Code #5158), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Songo do Sorrento Lemoncello):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/Ultra Beverage Company for a new test market listing for Songo do Sorrento Lemoncello, 750ML size (assigned four-digit Code #6116), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Size Extension Request (Grey Goose Le Citron Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Sidney Frank Importing Co. for an additional size listing of Grey Goose Le Citron, 1.75L size (assigned four-digit Code #3778), as this brand in the 750ML size has exceeded the gross profit required for a size extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Size Extension Request (9 50ML size products):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve requests from Horizon Beverage Company/Brown Forman Corporation for size extensions in the 50ML size for Jack Daniel's Single Barrel Bourbon (assigned Code #1276)

and Glenmorange Single Malt Scotch (assigned Code #1717), but deny size extension requests for Appleton Estate VX Jamaica Rum, Tuaca Liquore Italiano, Finlandia Cranberry Vodka, Finlandia Lime Vodka, Don Eduardo Anejo Tequila, Don Eduardo Silver Tequila and Woodford Reserve Bourbon, as these brands in other sizes have not met their respective gross profits, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Results (Code #5844, Imoya VSOP Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that a recommendation from Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, to grant specialty status to Code #5844, Imoya VSOP Brandy, 750ML size, be tabled pending review of further information. The motion was unanimously adopted.

f. Test Market Results (Codes #3660, #8549, #5409 & #3652):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission take the following actions regarding four (4) spirit items which completed a six-month test market period: Table a recommendation from Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales to grant specialty status to Code #3660, UK5 Organic Vodka, 750ML size pending review of further information; grant specialty status to Code #8549, Dooley's Toffee Liqueur and Code #5409, Llord's Cosmopolitan, 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales; and delist Code #3652, Belaya Russian Vodka, 750ML size, which failed to meet the gross profits required for both full and specialty listings, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) 50ML Gross Profit Requirement:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that a recommendation from Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales to establish a yearly 50ML gross profit requirement be referred back to the Marketing Department to be discussed further with brokers. The motion was unanimously adopted.

4) December Special Offers (5 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of five (5) spirit items, to be featured on sale during December 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (general distribution – Codes #35412 and #35414):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the general distribution of Code #35412, Chardonnay Yellow Tail Ausl. and Code #35414, Shiraz Yellow Tail Ausl., 750ML sizes, each of which has earned a gross profit of at least \$6,500. during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for December 2002:

a. 55 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of sixty-five (65) wine items, to be featured on sale during December 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 171 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and seventy-one (171) wine items, to be featured on sale during December 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 103 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and three (103) wine items, to be featured on sale during December 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. Revised Special Offer for November and December 2002:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a revised special offer from Martignetti Companies of N.H., based upon depletions of one (1) wine item, to be featured on sale during November and December 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Offer to Purchase 7 Different Chilean Wine Codes:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that an offer from Sea Breeze Cellars for the Commission to purchase seven (7) different Chilean wines, with a requirement to buy-in one pallet of each code, be tabled pending further review. (Recommendation was for denial.) The motion was unanimously adopted.

- 4) Cookoothama:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that a recommendation from Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, to purchase and distribute three (3) Cookoothama wines from Wineberries, Ltd. for December 2002 be tabled pending further review. The motion was unanimously adopted.

- 5) Special Purchase of Feudo Monaci:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a special offer from United Beverages, Inc., based upon depletions and a special purchase allowance for two (2) Feudo Monaci wine codes, to be featured on sale during December 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (12 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve twelve (12) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated and Restricted Wines for Distribution to Selected Stores (53 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve fifty-three (53) allocated and restricted wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (2 items – primary source; 6 items – exclusive agent; 38 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of two (2) wine codes which are from primary source, six (6) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and thirty-eight (38) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS - None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed requests for bailment releases/transfers dated October 18 through October 31, 2002. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed coupons (pad, necker and consumer offer) submitted for the month of November 2002. The motion was unanimously adopted.

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3. Late Items: None.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

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